

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 FEA-01 ERDA-05 OES-06

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R 062111Z AUG 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1303

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EO 11652: NA

TAGS: BDIS, EIND, EINV, ENRG, PE

SUBJ: GULF - GOVERNMENT SEEKS SOLUTION TO PROBLEM CAUSED  
BY SOL DEVALUATION

1. VICE MINISTER OF FINANCE AND ECONOMY ROBERTO KEIL INFORMED ACTING CHIEF ECONOMIC SECTION ON AUGUST 6 THAT HIS MINISTRY IN CONJUNCTION WITH MINISTRY OF ENERGY AND MINES WAS MAKING SERIOUS AND DETERMINED EFFORT TO FIND SATISFACTORY SOLUTION TO GULF EXPROPRIATION CASE. ACCORDING TO KEIL, PRESIDENT MORALES BERMUDEZ HAD BEEN BRIEFED ABOUT THE CASE AND HAD ORDERED THE MINISTRIES TO RESOLVE THE CASE QUICKLY.

2. KEIL SAID THAT THE PRINCIPAL PROBLEM BLOCKING A SOLUTION WAS THE FACT THAT PERUVIAN LAW REQUIRES THAT COMPENSATION PAYMENT TO GULF BE CONVERTED FROM SOLES TO DOLLARS AT EXCHANGE RATE IN EFFECT ON DATE OF AGREEMENT. SINCE SOL HAS UNDERGONE TWO DEVALUATIONS SINCE THE EXPROPRIATION, THE DOLLAR REMITTANCE TO GULF AT CURRENT EXCHANGE RATE WOULD BE CONSIDERABLY BELOW AMOUNT AGREED TO BETWEEN GULF AND MEM EARLY ON IN NEGOTIATIONS. GOP DID NOT WANT THIS TO HAPPEN, SO

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FINANCE MINISTRY WAS STUDYING WAYS OUT OF DILEMMA.

3. ONE ALTERNATIVE WOULD BE TO PROMULGATE DECREE LAW WHICH WOULD SET EXCHANGE RATE FOR COMPENSATION PAYMENTS IN EXPROPRIATION CASES AT RATE IN EFFECT ON DATE OF EXPROPRIATORY ACT. HOWEVER, KEIL INDICATED, SUCH A DECREE LAW WOULD CREATE OTHER PROBLEMS (UNRELATED TO GULF) AND PROBABLY WOULD NOT BE APPROVED. INSTEAD, KEIL SAID, HIS MINISTRY WAS MORE LIKELY TO RECOMMEND A HIGHER VALUATION OF GULF'S ASSETS IN SOLES SO THAT DOLLAR PAYMENT TO GULF AT CURRENT EXCHANGE RATE WOULD BE EQUIVALENT TO AMOUNT ALREADY AGREED UPON BETWEEN GULF AND GOP.

4. COMMENT: A. KEIL DID NOT INDICATE HOW FINANCE MINISTRY AND MEM WOULD WORK OUT HIGHER SOL VALUATION OF GULF ASSETS. WE SUSPECT THIS APPROACH MIGHT REQUIRE ADDITIONAL CONVERSATIONS BETWEEN GULF AND GOP, BUT NONE WAS REQUESTED AT THIS TIME. WE WILL ADVISE IF GOP WISHES TO MEET WITH GULF REPRESENTATIVES ON THIS MATTER. B. KEIL RAISED GULF ISSUE ON HIS OWN INITIATIVE AND IN CONTEXT OF ONGOING GOP DESIRE TO PUT TO REST MAJOR OUTSTANDING U.S.-PERU INVESTMENT ISSUES. KEIL HAD REFERRED TO ALMOST COMPLETED TOQUEPALA TAX CASE (LIMA 7104) AND POSITIVE MOMENTUM TOWARD FINAL SETTLEMENT OF MARCONA IMMEDIATELY PRIOR TO ASSERTING GOP'S WISH TO RESOLVE GULF. SMITH

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